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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS EIGHTH SESSION

(29 June - 3 July 1992)

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Introduction

1. The Programme and Budget Committee held its eighth session at UNIDO Headquarters, Vienna International Centre, from 29 June to 3 July 1992. The following 26 of the 27 members of the Committee participated in the session:

Algeria, Austria, Brazil, Bulgaria, China, Colombia, Cuba, Egypt, France, Germany, India, Italy, Japan, Kenya, Mexico, Netherlands, Nigeria, Philippines, Poland, Qatar, Russian Federation, Rwanda, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

2. The following 50 Members of UNIDO also attended the session:

Argentina, Australia, Belarus, Belgium, Bolivia, Cameroon, Canada, Chile, Congo, Costa Rica, Croatia, Czechoslovakia, Democratic People's Republic of Korea, Denmark, Ecuador, Finland, Greece, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Kuwait, Lebanon, Luxembourg, Malaysia, Morocco, Namibia, Oman, Panama, Paraguay, Peru, Portugal, Republic of Korea, Saudi Arabia, Slovenia, Spain, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yemen, Zaire, Zimbabwe.

3. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation G. E. Clark (United Kingdom of Great Britain and Northern Ireland) as Chairman; S. A. Adekanye (Nigeria), M. Wejtko (Poland), and J. Y. Jamal (Qatar) as Vice-Chairmen; and S. Quijano-Caballero (Colombia) as Rapporteur.

4. The agenda for the eighth session as adopted by the Committee is contained in document PBC.8/1/Rev.1. Following the adoption of the agenda, the Director-General made an introductory statement which was duly taken into account by the Committee in the consideration of the relevant agenda items.

5. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

6. The report contains the conclusions reached by the Committee. Statements of principle by some delegations wishing to go on record as well as statements made in connection with the adoption of conclusions are contained in annex I to the report. As requested, the report of the Chairman of the informal in-session consultations for the drafting of conclusions appears in annex II. Annex III contains a list of documents submitted to the Committee at its current session.

7. The following conclusions of the Committee contain recommendations that call for action by the Board at its tenth session or are of relevance to the work of that session:

Conclusion	Subject
92/2	Report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991
92/3	Use of unutilized balances of appropriations
92/4	Implementation of the recommendations of the External Auditor for the financial period 1988-1989
92/5	Financial situation of UNIDO: measures to stabilize the operational budget
92/6	Losses related to small catering items
92/7	Application of the split-currency system of assessment
92/8	Operational budget: reimbursement for programme support and administrative services
92/9	Guidelines and procedures governing acceptance and funding under special trust funds, Industrial Development Fund and the regular budget
92/10	Medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995), and practice of zero real growth budgets
92/11	Industrial Development Fund and other voluntary contributions
92/12	Financial regulation 4.1, paragraphs (d) and (e)
92/13	UNIDO Country Director Programme

8. On 30 June, the Committee observed a minute of silence in tribute to the memory of President Mohammed Boudiaf of Algeria, President of the High State Council.

I. ORGANIZATIONAL MATTERS

9. On 29 June, the Committee considered a proposal by the Chairman to optimize the utilization of available conference-servicing resources and adopted the following conclusion:

Conclusion 92/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its eighth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Vice-Chairman S. A. Adekanye (Nigeria) to chair those consultations.

II. REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (item 4); USE OF UNUTILIZED BALANCES OF APPROPRIATIONS (item 7); IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989 (item 11)

11. On 29 June, the Committee considered the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1990-1991 ended 31 December 1991 (PBC.8/9) and the comments of the Director-General thereon including a report by the Director-General on net basis budgeting (PBC.8/17 and Add.1); and the financial performance report for the biennium 1990-1991 (PBC.8/5) and programme performance report for that biennium as reflected in the Annual Report of UNIDO, 1991 (IDB.9/10 and Corr.1 and 2), both submitted by the Director-General. The Committee also considered a report by the External Auditor stating his opinion on the allocation of any retained unutilized balances of regular budget appropriations of UNIDO to those original programmes that had been affected (PBC.8/12) and a report by the Director-General on action taken with regard to the manual of administrative policies and procedures of the Organization (PBC.8/7).

12. On 2 July, after consideration of a draft conclusion on the report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991 submitted by the Chairman (PBC.8/L.7), the Committee adopted the following conclusion:

Conclusion 92/2

The Programme and Budget Committee:

(a) Considered document PBC.8/9 and endorsed with appreciation the opinions presented therein by the External Auditor concerning the accounts of UNIDO referring to the biennium 1990-1991;

(b) Considered the comments of the Director-General on the report of the External Auditor (PBC.8/17), the financial performance report for the biennium 1990-1991 (PBC.8/5) and the report by the Director-General on the net basis budget presentation format (PBC.8/17/Add.1);

(c) Recognized the important contribution the External Auditor makes to the enhancement of UNIDO's overall performance;

(d) Recalled, in that context, the necessity for full compliance in all circumstances with the UNIDO Constitution and the Financial Regulations of UNIDO;

(e) Requested the Director-General to take into consideration the observations in the report of the External Auditor and to report to the Board at its tenth session on the steps taken towards implementation of the recommendations contained therein, especially with regard to the following audit observations:

(i) The External Auditor's conclusion that the existing mechanism whereby the policy-making organs control regular budget implementation by major objects of expenditure might be better replaced by one along programmatic budget lines;

(ii) The presentation of future regular budgets, including the one covering the biennium 1994-1995, on a gross and net basis so as to comply with financial regulation 4.1 (a) and with the principle of universality of the budget, which requires that all transactions with third parties which have a financial outcome be included in the budget;

(iii) Adjustment of the budgetary, accounting and financial reporting procedures of the Organization to comply with the recommendations of the External Auditor as contained in document PBC.8/9;

(iv) The conclusions and recommendations of the External Auditor relating to the Internal Audit Unit of the Organization, as contained in paragraphs 181 to 187 of document PBC.8/9, particularly those relating to the strengthening without delay of the internal audit function, through the redeployment of professional and general service posts, and the formulation of a clear and concise mandate for this function to ensure its operational independence, impartiality and effectiveness.

13. On 2 July, after consideration of an oral proposal by the Chairman on the use of unutilized balances of appropriations, the Committee adopted the following conclusion:

Conclusion 92/3

The Programme and Budget Committee took note with appreciation of the report of the External Auditor stating his opinion on the allocation of any retained unutilized balances of regular budget appropriations of UNIDO to those original programmes that had been affected (PBC.8/12).

14. On 2 July, after consideration of a draft conclusion on the implementation of the recommendations of the External Auditor for the financial period 1988-1989 submitted by the Chairman (PBC.8/L.3), the Committee adopted the following conclusion:

Conclusion 92/4

The Programme and Budget Committee:

(a) Took note of the report of the Director-General on the implementation of the recommendations of the External Auditor for the financial period 1988-1989, as contained in document PBC.8/7;

(b) Noted the completion of the draft version of the financial manual and requested the Director-General to finalize the manual of administrative policies and procedures of the Organization, as requested in Board decision IDB.8/Dec.30;

(c) Further requested the Director-General to review and improve as feasible the application of the last sentence of paragraph (f) of appendix G to the Staff Rules, taking into account the practice prevailing in the common system of the United Nations, in order to effect sizeable economies in the official travel costs of the Organization, as recommended in paragraphs 77 to 81 of the Report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund for the financial period 1988-1989 ended 31 December 1989 (PBC.6/15), and report to the Board on the matter at its tenth session.

III. FINANCIAL SITUATION OF UNIDO (item 5); APPLICATION OF THE SPLIT-CURRENCY SYSTEM OF ASSESSMENT (item 15)

15. On 29 June, the Committee considered the report by the Director-General on the financial situation of UNIDO as of 31 May 1992 (PBC.8/18) and a conference room paper submitted by the Secretariat (PBC.8/CRP.4); a note by the Secretariat on losses related to small catering items (PBC.8/6); as well as a report by the Secretariat on application of the split-currency system of assessment (PBC.8/11).

16. On 2 July, after consideration of a draft conclusion on the financial situation of UNIDO: measures to stabilize the operational budget submitted by the Chairman (PBC.8/L.9), the Committee adopted the following conclusion:

Conclusion 92/5

The Programme and Budget Committee:

(a) Recalled Industrial Development Board decisions IDB.3/Dec.20 and IDB.9/Dec.13;

(b) Took note of the financial situation of UNIDO with regard to the operational budget, as described in the report on the financial situation of UNIDO contained in document PBC.8/18;

(c) Requested the Director-General to take necessary measures to balance the operational budget as soon as possible but at the latest by the end of 1993 through inter alia:

(i) Economies and greater efficiency;

(ii) Reduction of staff through normal attrition, in compliance with staff regulation 10.2, or separation, or other appropriate measures;

(iii) Appropriate utilization of the accumulated uncommitted reserve under the operational budget;

(iv) The establishment of a system of regular monitoring in line with financial regulation 4.1(c), as endorsed in General Conference resolution GC.4/Res.23, and only authorized allotments to be issued if there is a reasonable assurance of resources available to support it;

(d) Requested the Director-General, when taking measures to balance the operational budget, to:

(i) Preserve the capacity of the Organization for technical cooperation delivery;

(ii) Take due account of the need for equitable geographical distribution of the staffing of the Secretariat;

(e) Invited Member States to make voluntary contributions in support of technical cooperation, for instance to the Industrial Development Fund, which would serve to balance the operational budget.

17. On 2 July, after consideration of a draft conclusion on losses related to small catering items submitted by the Chairman (PBC.8/L.5), the Committee adopted the following conclusion:

Conclusion 92/6

The Programme and Budget Committee:

(a) Took note of the information contained in the note by the Secretariat on losses related to small catering items (PBC.8/6);

(b) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board, upon recommendation of the Programme and Budget Committee:

"(i) Takes note of the note by the Secretariat concerning losses of catering equipment (PBC.8/6-IDB.10/9):

"(ii) Approves, in accordance with financial rule 109.15(a), the write-off of losses related to small items of the VIC Catering Service in the amounts described in paragraph 1 of document PBC.8/6-IDB.10/9."

18. On 2 July, after consideration of an oral proposal by the Chairman on the application of the split-currency system of assessment, the Committee adopted the following conclusion:

Conclusion 92/7

The Programme and Budget Committee took note of the report submitted by the Secretariat on the application of the split-currency system of assessment (PBC.8/11).

IV. OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES (item 6); GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (item 10)

19. On 30 June, the Committee considered a report by the Director-General on the cost measurement study on the United Nations Development Programme successor arrangements for agency support costs (PBC.8/3) and a proposal by the Director-General for reimbursement for special trust fund projects in accordance with financial rule 106.21 (PBC.8/8), as well as a report by the Director-General on a regulatory framework for the implementation of Articles 16 and 17 of the Constitution (PBC.8/16).

20. On 2 July, after consideration of an oral proposal by the Chairman on the operational budget: reimbursement for programme support and administrative services, the Committee adopted the following conclusion:

Conclusion 92/8

The Programme and Budget Committee took note of the proposal contained in the report of the Director-General (PBC.8/8, paras. 15 to 18) on the application of financial rule 106.21, taking into account the cost measurement study on agency support costs undertaken by the United Nations Development Programme.

21. On 2 July, after consideration of an oral proposal by the Chairman on the guidelines and procedures governing acceptance and funding under special trust funds, Industrial Development Fund and the regular budget, the Committee adopted the following conclusion:

Conclusion 92/9

The Programme and Budget Committee took note of the information provided by the Director-General on steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution (PBC.8/16).

V. MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995) (item 8); PRACTICE OF ZERO REAL GROWTH BUDGETS (item 12)

22. On 30 June, the Committee considered the draft medium-term plan, 1994-1999, submitted by the Director-General, and an addendum thereto containing a preview and preliminary indicative general ceiling for the first biennium 1994-1995 (PBC.8/10 and Add.1), as well as a report by the Director-General on the practice of zero real growth budgets (PBC.8/4).

23. On 2 July, after consideration of a draft conclusion on the medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995) and the practice of zero real growth budgets submitted by the Chairman (PBC.8/L.8), the Committee adopted the following conclusion:

Conclusion 92/10

The Programme and Budget Committee:

(a) Recalled General Conference resolution GC.4/Res.25, in particular paragraph 3;

(b) Took note of the draft medium-term plan, 1994-1999 as contained in document PBC.8/10 and Add.1;

(c) Recommended that the Chairman of the Programme and Budget Committee conduct informal consultations to study the relative priorities within the medium-term plan activities, 1994-1999, bearing in mind the financial and technical capacity of UNIDO, and report to the Industrial Development Board at its tenth session;

(d) Recommended to the Board the approval of a ceiling for the regular budget for the biennium 1994-1995 representing zero real growth as compared with the biennium 1992-1993.

VI. INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (item 9)

24. On 30 June, the Committee considered a report by the Director-General on the estimated resource level and programming for 1993 and 1994 for the Industrial Development Fund (IDF) (PBC.8/2), information on the nature of projects financed from the Fund, contained in the Annual Report of UNIDO, 1991 (IDB.9/10, chap. VIII, paras. 14-20 and appendix G) and a list of projects approved under IDF in 1991 (PBC.8/CRP.1) as well as a note by the Secretariat on mobilization of financial resources for industrial development as a result of military spending reductions (PBC.8/13).

25. On 2 July, after consideration of a draft conclusion on the Industrial Development Fund and other voluntary contributions submitted by the Chairman (PBC.8/L.1), the Committee adopted the following conclusion:

Conclusion 92/11

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls General Conference decision GC.4/Dec.21 and Board decisions IDB.8/Dec.29 on the Industrial Development Fund (IDF) and IDB.9/Dec.7 on UNIDO technical cooperation activities in 1991;

"(b) Takes note with interest of the report of the Director-General contained in document PBC.8/2-IDB.10/2, in particular the information on the programming thrust for 1993 and 1994;

"(c) Decides to delegate authority to the Director-General to approve projects for financing under the Fund in the 1993-1994 biennium in accordance with the priority areas of the medium-term plan, 1992-1997 (PBC.7/17);

"(d) Encourages UNIDO to continue its efforts to improve the quality of IDF-financed projects in terms of their relevance, cost-effectiveness and sustainability;

"(e) Underlines the need, to this end, for UNIDO to ensure that:

"(i) Projects are tailored to the well-defined and specific needs of the recipient countries emphasizing the concept of capacity building;

"(ii) Projects are complementary to other planned and ongoing multilateral assistance;

"(iii) Conclusions and recommendations of project evaluation are given adequate follow-up action and are used to improve the design of future projects;

"(f) Urges all donor Governments to provide more of their contributions to the general-purpose convertible segment of the Fund;

"(g) Urges Member States to reconsider their IDF pledging policies to ensure that the desirable annual funding level of $50 million be reached as soon as possible;

"(h) Appeals to Member States to continue to consider providing umbrella contributions for financing preparatory assistance activities of large-scale projects and programmes (PBC.8/2-IDB.10/2, para. 10);

"(i) Reiterates the need to fill through redeployment, as soon as possible, the posts still vacant in the relevant organizational unit and requests the Director-General to take steps so that the Project Review Committee Secretariat and Funds Administration Section may reach its full staffing level."

VII. ELECTRONIC DATA-PROCESSING PROGRAMME (item 13)

26. On 30 June, the Committee considered a report by the Director-General on the electronic data-processing programme (PBC.8/15) updated by a conference room paper (PBC.8/CRP.2).

VIII. FINANCIAL REGULATION 4.1, PARAGRAPHS (D) AND (E) (item 14)

27. On 30 June, the Committee had before it a report by the External Auditor with regard to his views and comments on the proposed paragraphs (d) and (e) of financial regulation 4.1 (PBC.8/14).

28. On 2 July, after consideration of a draft conclusion on financial regulation 4.1, paragraphs (d) and (e) submitted by the Chairman (PBC.8/L.2), the Committee adopted the following conclusion:

Conclusion 92/12

The Programme and Budget Committee:

(a) Recalled General Conference resolution GC.4/Res.23, paragraphs 1 to 3;

(b) Took note of the report of the External Auditor with regard to his views and comments on the proposed paragraphs (d) and (e) of financial regulation 4.1 of UNIDO as contained in document PBC.8/14 and endorsed the opinion expressed therein by the External Auditor in particular in paragraph 32 (a) and (b).

IX. UNIDO COUNTRY DIRECTOR PROGRAMME (item 16)

29. On 30 June, the Committee considered a report by the Director-General on the UNIDO Country Director programme (IDB.9/8).

30. On 2 July, after consideration of a draft conclusion on the UNIDO Country Director programme submitted by the Chairman (PBC.8/L.4), the Committee adopted the following conclusion:

Conclusion 92/13

The Programme and Budget Committee:

(a) Considered the report of the Director-General on the UNIDO Country Director (UCD) programme (IDB.9/8), and the practical financing of the UCD programme in particular;

(b) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Recalls General Conference resolution GC.4/Res.4 on UNIDO technical cooperation activities: UNIDO Country Directors, in which, inter alia, Board decision IDB.8/Dec.14 was endorsed;

"(ii) Notes with concern the information provided in document IDB.9/8, especially of the expected reduction by 1995 of some UCD posts under the present financing arrangements;

"(iii) Considers that the increase in the number of UCD posts to reach the target of 50 mentioned in Board decision IDB.8/Dec.14, or at least maintaining the number of UCD posts at present level, needs financing from an appropriate combination of sources;

"(iv) Reiterates its appeal to Member States to provide new, additional or further voluntary contributions to the UCD programme;

"(v) Requests the Director-General to continue to endeavour to at least maintain the present number of UCD posts and to exert his utmost efforts to increase the number to reach the target set;

"(vi) Requests the Director-General to submit to the Board at its eleventh session a report containing a proposal on financing the UCD programme, the consequence for other activities and/or programmes by the possible redeployment of resources and a plan to reach that target;

"(vii) Calls upon Member States to provide resources to enable the Director-General to carry out the proposed study on the modalities of setting up a close working relationship among UCDs of the same subregion in order to strengthen the role of UCDs;

"(viii) Calls further upon Member States to make additional contributions to the UNIDO Junior Professional Officer programme, which is an important asset in helping UCDs to carry out their functions;

"(ix) Requests the Director-General to report on the results of such negotiations that may take place regarding the revision of the memorandum of understanding on the functions and working arrangements between Resident Representatives of the United Nations Development Programme and UCDs in the field."

X. DATE OF THE NINTH SESSION OF THE COMMITTEE

31. On 2 July, the Chairman drew the attention of the Committee to the successful conclusion of the current session in less than three and one-half days as compared to the five days originally scheduled. He proposed that, following the experience of the current session, an attempt should be made to reduce, whenever possible, the duration of future sessions. The Committee, in agreeement with the proposal of the Chairman, adopted the following conclusion:

Conclusion 92/14

The Programme and Budget Committee decided to hold its ninth session within the period 26 to 30 April 1993.

XI. ADOPTION OF THE REPORT AND CLOSURE OF THE EIGHTH SESSION

32. On 2 July the Committee adopted the draft report of its eighth session (PBC.8/L.6) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report. The Committee closed its eighth session at 11.10 a.m. on 2 July 1992.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements of principle as well as statements connected with the adoption of conclusions delivered by delegations during the eighth session of the Programme and Budget Committee. These statements have been included at the request of the delegations concerned and as agreed to by the Chairman.

Representation of Yugoslavia

2. The delegation of the United States of America called attention to United Nations Security Council resolution 757 which noted that the claim by the Federal Republic of Yugoslavia to continue automatically the membership of the former Socialist Federal Repubic of Yugoslavia in the United Nations had not been generally accepted. The delegation stated that it believed that the Socialist Federal Republic of Yugoslavia no longer existed and that Serbia-Montenegro was not the continuation of, nor sole successor to, and was not entitled to assume the seat of the former Socialist Federal Republic of Yugoslavia in international organizations, including UNIDO. The representative of the United States also said that it believed that the issue needed to be resolved first in the United Nations Security Council and General Assembly and that UNIDO should be guided by their disposition of the issue.

3. Speaking on behalf of the European Community and its member States, the delegation of the United Kingdom of Great Britain and Northern Ireland said that they had taken note of the declaration of the representatives of the People's Republic of Serbia and the Republic of Montenegro that stated that the Federal Republic of Yugoslavia continued the state, international, legal and political personality of the Federal Socialist Republic of Yugoslavia. The delegation stated that the European Community and its member States had not accepted the automatic continuity of the Federal Republic of Yugoslavia in international organizations and conferences, including UNIDO. At the current stage those delegations reserved their position on the question and considered that the participation as member of the Programme and Budget Committee of UNIDO of the delegation in question was without prejudice to future decisions that might be taken on that and related issues by the United Nations Security Council.

4. The delegation of Sweden stated that it was its position not to accept the automatic continuity of the Federal Socialist Republic of Yugoslavia by the Federal Republic of Yugoslavia in international organizations, including the United Nations. The delegation also considered that the participation in the current session of the Programme and Budget Committee of the delegation in question was without prejudice to future decisions.

5. The delegation of Japan said that it associated itself with the delegation of the European Community in reserving its position on the question of the continuity of Yugoslavia's membership in international organizations, including UNIDO.

6. The delegation of Poland, also speaking on behalf of Czechoslovakia and Hungary, said that it associated itself with and supported fully the statement made on behalf of the European Community and its member States concerning the status of representation of the Federal Republic of Yugoslavia.

7. The delegation of Austria stated that the constitution of the Federal Republic of Yugoslavia was a further important step in the process of dissolution of the Socialist Federal Republic of Yugoslavia and that there was no legal basis for an automatic continuation of the existence of the former by the latter and therefore the former could not be considered to continue the previous Yugoslav membership in UNIDO. The delegation also stated that the criteria contained in the guidelines on the recognition of new States adopted by the Council of the European Communities on 16 December 1991 should be applied with regard to possible international recognition of the Federal Republic of Yugoslavia and, in that respect, drew special attention to the requirements of the protection of human rights and the rights of ethnic groups. The delegation further considered that the participation in the current session of the Programme and Budget Committee of the delegation in question was without prejudice to future decisions and that under those circumstances it reserved its right to question the validity of all decisions taken by vote by the Committee.

8. The delegation of the Russian Federation stated that the current session of the Programme and Budget Committee was not the correct forum for the discussion of the question of Yugoslavia but that the appropriate place was the Security Council and the General Assembly of the United Nations, where efforts were already being deployed in that direction. The delegation took the position that the statements made by a number of delegations did not affect the exercise by the Federal Republic of Yugoslavia of its rights and obligations and would in no way influence decisions that may be adopted with regard to the participation of the Federal Republic of Yugoslavia in international organizations.

9. The delegation of Bulgaria stated that it had circulated its position at the United Nations General Assembly and Security Council and that it reserved its position on the question and considered that the participation by the delegation in question in the current session of the Committee was without any prejudice to future decisions that might be taken on the question of representation of the Federal Republic of Yugoslavia in international forums, including the United Nations.

10. The delegation of Slovenia stated that the former Socialist Federal Republic of Yugoslavia no longer existed and that a successor to that State had not been recognized. The delegation noted that the two republics Serbia and Montenegro had not applied for recognition as independent States and for membership in the United Nations and that therefore it was not considered appropriate or acceptable that they be represented in UNIDO or any other United Nations organization or body.

11. The delegation of Croatia stated that it questioned the existence of the Federal Republic of Yugoslavia as it had not been recognized by the international community as a State and requested clarification with regard to the representative of Yugoslavia participating in the current session.

12. The delegation of Yugoslavia stated that the Assembly of the Socialist Federal Republic of Yugoslavia had promulgated the Constitution of the Federal Republic of Yugoslavia on 27 April 1992 under which the continuity of the international personality of Yugoslavia should continue to be fulfilled by the Federal Republic of Yugoslavia in international relations, including its membership in all international organizations and participation in international treaties ratified or acceded to by Yugoslavia. At the same time, the delegation declared itself ready to fully respect the rights and interests of the Yugoslav republics that had declared independence. The Federal Republic of Yugoslavia, as a founding member of the United Nations, acknowledged its full commitment to the United Nations, the United Nations Charter and to the Conference on Security and Cooperation in Europe, in particular the Helsinki Final Act and the Charter of Paris. The delegation said that the Federal Republic of Yugoslavia would cooperate with the other participants in the Conference on Yugoslavia in order to ensure a speedy and just distribution of the rights and responsibilities of the Socialist Federal Republic of Yugoslavia between the Federal Republic of Yugoslavia and other republics. At the same time, the delegation continued, it would not hinder the inclusion of newly formed States in international organizations and institutions, particularly in the United Nations and its specialized agencies and their participation in international treaties.

Operational budget: reimbursement for programme support and administrative services (item 6)

13. The delegation of Brazil, speaking on behalf of the Latin American and Caribbean group, referred to the cost measurement study of the main United Nations Development Programme (UNDP) executing agencies commissioned by UNDP, which showed that UNIDO was the most efficient organization among the four organizations with headquarters in Europe and congratulated the UNIDO Secretariat on those results and the efforts that they reflected in terms of efficient utilization of the scarce resources at the disposal of the Organization.

Medium-term plan, 1994-1999 (including general ceiling for the biennium 1994-1995 (item 8)
Practice of zero real growth budgets (item 12)

14. The delegation of France, supported by the delegations of the Netherlands and Denmark, said that it had joined the consensus firstly because it was their policy to encourage consensus whenever possible and secondly because their country favoured the principle of zero growth, which was an incentive for more efficient management of the organizations concerned and more accountable use of public monies provided by Member States. The delegation pointed out, however, that any principle that began to turn into dogma incurred, in the long run, a danger of paralysis. Therefore, if the time was right and if sound and well-justified projects were submitted - which was not the case today - one ought to be able to tailor principles to the reality or needs of the moment. In short, in the years to come, the Organization should demonstrate a spirit of openness and dynamism. The delegation added that, in its view, the serious financial difficulties facing UNIDO were due, to a great extent, to numerous defaults in the payment of assessed contributions. It hoped that the situation would be speedily resolved and that all States would promptly fulfil their obligations to enable UNIDO, with a real budget at last, to fulfil the tasks as envisaged by all its Members.

15. The delegation of India supported the statement of the French delegation and said that, while joining the consensus on the adoption of conclusion 92/10, it was disappointed that the Committee could not agree to recommend the very minimal growth of resources proposed by the Director-General for 1994-1995 in areas that a number of delegations considered to be important aspects of UNIDO's future work. The delegation held the view that, not having endorsed the medium-term plan and having left it for the Industrial Development Board to study further, it would have been logical for the Committee to also refer the question of the general ceiling to the Board. The delegation expressed the hope that the Board would have an opportunity to review the conclusion adopted by the Committee when finalizing the medium-term plan for 1994-1999.

Annex II

REPORT OF THE CHAIRMAN OF THE INFORMAL IN-SESSION CONSULTATIONS FOR THE DRAFTING OF CONCLUSIONS

2 July 1992

1. The Chairman, reporting on the results of the informal in-session consultations that had been set up at the second plenary meeting on 29 June 1992 with the aim of facilitating the drafting of conclusions, informed that the informal consultations had met three times from 30 June to 1 July; no night sessions had been necessary; and the third meeting had concluded promptly at 6 p.m.

2. During that time the group had considered a total of seven draft conclusions on the following agenda items:

4 Report of the External Auditor, financial performance report and programme performance report for the biennium 1990-1991;

5 Financial situation of UNIDO: measures to stabilize the operational budget;

9 Industrial Development Fund and other voluntary contributions;

11 Implementation of the recommendations of the External Auditor for the financial period 1988-1989;

14 Financial regulation 4.1;

16 UNIDO Country Director programme;

and a combined text covering items

8 Medium-term plan, (including general ceiling for the biennium 1994-1999);

12 Practice of zero real growth budgets.

3. For the remaining agenda items, no draft texts had been submitted to the informal consultations. All the draft conclusions had been reached by consensus and had been submitted to the plenary for consideration in the form of "L documents".

4. The formation of small working groups as well as informal contacts had helped to speed up the consideration of some of the more difficult agenda items, including item 4 on the report of the External Auditor, item 5 on the financial situation of UNIDO, and the text covering items 8 on the medium-term plan, 1994-1999, and 12 on the practice of zero real growth budgets.

5. Concerning agenda items 4, 5, and the combined items 8 and 12, while consensus had been reached on the relevant texts, some delegations had expressed regret that it had not been possible to incorporate their views in the respective draft conclusions. However, those delegations had declared that in a spirit of compromise they would not block consensus on the texts in question. In particular, the representative of India had wished to express through the present report his country's disappointment in the final wording of the draft conclusion on items 8 and 12.

Annex III

LIST OF DOCUMENTS SUBMITTED TO THE EIGHTH SESSION

Symbol	Agenda item	Title
PBC.8/1/Rev.1	3	Provisional agenda
PBC.8/1/Add.1	3	Annotated provisional agenda
PBC.8/1/Rev.1/ Add.1/Corr.1	3	Annotated provisional agenda - Corrigendum
PBC.8/2 IDB.10/2	9	Industrial Development Fund - estimated resource level and programme for 1993-1994. Report by the Director-General
PBC.8/3 IDB.10/7	6	Cost measurement study on the UNDP successor arrangements for agency support costs. Report by the Director-General
PBC.8/4	12	Practice of zero real growth budgets. Report by the Director-General
PBC.8/5 IDB.10/3	4	Financial performance report for the biennium 1990-1991. Submitted by the Director-General
PBC.8/6 IDB.10/9	5	Losses related to small catering items. Note by the Secretariat
PBC.8/7 IDB.10/6	11	Action taken with regard to the manual of administrative policies and procedures of the Organization. Report by the Director-General
PBC.8/8 IDB.10/8	6	Reimbursement for special trust fund projects in accordance with financial rule 106.21. Proposal by the Director-General
PBC.8/9 IDB.10/4	4	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1990-1991 ended 31 December 1991
PBC.8/10 IDB.10/5	8	Draft medium-term plan, 1994-1999. Submitted by the Director-General
PBC.8/10/Add.1 IDB.10/5/Add.1	8	Draft medium-term plan, 1994-1999. Addendum. Preview of the first biennium 1994-1995 and preliminary indicative general ceiling. Submitted by the Director-General
PBC.8/11	15	Application of the split-currency system of assessment. Report by the Secretariat
PBC.8/12	7	Report of the External Auditor stating his opinion on the allocation of any retained unutilized balances of regular budget appropriations of the United Nations Industrial Development Organization (UNIDO) to those original programmes that had been affected
PBC.8/13	9	Mobilization of financial resources for industrial development as a result of military spending reductions. Note by the Secretariat
PBC.8/14	14	Report of the External Auditor with regard to his views and comments on proposed paragraphs (d) and (e) of financial regulation 4.1 of the United Nations Industrial Development Organization
PBC.8/15 IDB.9/12/Add.1	13	Electronic data-processing programme. Report by the Director-General
PBC.8/16 IDB.10/10	10	Regulatory framework for the implementation of Articles 16 and 17 of the Constitution. Report by the Director-General
PBC.8/17 IDB.10/11	4	Comments of the Director-General on the report of the External Auditor
PBC.8/17/Add.1 IDB.10/11/Add.1	4	Net basis budgeting. Report by the Director-General
PBC.8/18	5	Financial situation of UNIDO as of 31 May 1992. Report by the Director-General

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Symbol	Agenda item	Title
IDB.9/8	16	UNIDO Country Director programme. Report by the Director-General
IDB.9/10 and Corr.1 and 2		Annual Report of UNIDO, 1991 (reflecting programme performance for the biennium 1990-1991)
		. . .
PBC.8/CRP.1	9	List of projects approved under the Industrial Development Fund (IDF) in 1991
PBC.8/CRP.2	13	Electronic data-processing programme. Submitted by the Secretariat
PBC.8/CRP.3	3	Annotations to the provisional agenda: List of documents. Note by the Secretariat
PBC.8/CRP.4	5	Financial situation of UNIDO. Submitted by the Secretariat
PBC.8/CRP.5	-	List of participants